

**ASSEMBLY BILL**

**No. 480**

**Introduced by Assembly Member Plescia**

February 16, 2005

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An act to amend Section 19604 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 480, as introduced, Plescia. horse racing: advance deposit wagering.

Existing law authorizes advance wagering accounts to provide a full accounting of deposits and wagers, as specified. After the payment of winning wagers and the deduction of contractual compensation and a host fee, where applicable, existing law requires payments to various racing entities in California, payment of certain percentages of the amount handled on advance deposit wagers paid for specific funds, and the remaining money to be distributed as commission, purses, and incentive awards, as specified. Further, existing law exempts market access fees from advance deposit wagering from the calculations pursuant to Section 19616.51. This section remains in effect only until January 1, 2008, and as of that date is repealed.

This bill would provide that in the event of a reduction in satellite wagering facility commissions, the benefits would then be distributed equally as purses and commissions to all associations and racing fairs that generate advance deposit wagers, in proportion to the handle generated.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 19604 of the Business and Professions Code is amended to read:

19604. Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

(a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(b) As used in this section, “advance deposit wagering” means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner’s behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account’s owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database

designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, “market access fee” means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, “licensee” means any racing association or fair, or affiliation thereof authorized in subdivision (a).

(c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.

(2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs

1 to establish security access policies and safeguards, including,  
2 but not limited to, the following:

3 (A) The betting system or wagering hub shall utilize the  
4 services of a board-approved independent third party to perform  
5 identity, residence, and age verification services with respect to  
6 persons establishing an advance deposit wagering account.

7 (B) The betting system or wagering hub shall utilize personal  
8 identification numbers (PINs) and other technologies to assure  
9 that only the accountholder has access to the advance deposit  
10 wagering account.

11 (C) The betting system or wagering hub shall provide for  
12 withdrawals from the wagering account only by means of a  
13 check made payable to the accountholder and sent to the address  
14 of the accountholder or by means of an electronic transfer to an  
15 account held by the verified accountholder or the accountholder  
16 may withdraw funds from the wagering account at a facility  
17 approved by the board by presenting verifiable personal and  
18 account identification information.

19 (D) The betting system or wagering hub shall allow the board  
20 access to its premises to visit, investigate, and place expert  
21 accountants and other persons it deems necessary for the purpose  
22 of ensuring that its rules and regulations concerning credit  
23 authorization, account access, and other security provisions are  
24 strictly complied with.

25 (3) The board shall prohibit advance deposit wagering  
26 advertising that it determines to be deceptive to the public. The  
27 board shall also require, by regulation, that every form of  
28 advertising contain a statement that minors are not allowed to  
29 open or have access to advance deposit wagering accounts.

30 (d) As used in this section, a “multijurisdictional wagering  
31 hub” is a business conducted in more than one jurisdiction that  
32 facilitates parimutuel wagering on races it simulcasts and other  
33 races it offers in its wagering menu.

34 (e) As used in this section, a “betting system” is a business  
35 conducted exclusively in this state that facilitates parimutuel  
36 wagering on races it simulcasts and other races it offers in its  
37 wagering menu.

38 (f) In order for a licensee, betting system, or  
39 multijurisdictional wagering hub to be approved by the board to

1 conduct advance deposit wagering, it shall meet both of the  
2 following requirements:

3 (1) All wagers thereby made shall be included in the  
4 appropriate parimutuel pool of the host racing association or fair  
5 under a contractual agreement with the applicable California  
6 licensee, in accordance with the provisions of this chapter.

7 (2) The amounts deducted from advance deposit wagers shall  
8 be in accordance with the provisions of this chapter.

9 (g) The amount received as a market access fee from advance  
10 deposit wagers, which shall not be considered for purposes of  
11 Section 19616.51, shall be distributed as follows:

12 (1) An amount equal to 0.0011 multiplied by the amount  
13 handled on advance deposit wagers originating in California for  
14 each racing meeting shall be distributed to the Center for Equine  
15 Health to establish the Kenneth L. Maddy Fund for the benefit of  
16 the School of Veterinary Medicine at the University of California  
17 at Davis.

18 (2) An amount equal to 0.0003 multiplied by the amount  
19 handled on advance deposit wagers originating in California for  
20 each racing meeting shall be distributed to the Department of  
21 Industrial Relations to cover costs associated with audits  
22 conducted pursuant to Section 19526 and for the purposes of  
23 reimbursing the State Mediation and Conciliation Service for  
24 costs incurred pursuant to this bill. However, if that amount  
25 would exceed the costs of the Department of Industrial Relations,  
26 the amount distributed to the department shall be reduced, and  
27 that reduction shall be forwarded to an organization designated  
28 by the racing association or fair described in subdivision (a) for  
29 the purpose of augmenting a compulsive gambling prevention  
30 program specifically addressing that problem.

31 (3) An amount equal to 0.00165 multiplied by the amount  
32 handled on advance deposit wagers that originate in California  
33 for each racing meeting shall be distributed as follows:

34 (A) One-half of the amount shall be distributed to supplement  
35 the trainer-administered pension plans for backstretch personnel  
36 established pursuant to Section 19613. Moneys distributed  
37 pursuant to this subparagraph shall supplement, and not supplant,  
38 moneys distributed to that fund pursuant to Section 19613 or any  
39 other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. *In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs.* For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and

1 this amount shall be allocated to that racing association or fair as  
2 commissions, to horsemen participating in that racing meeting in  
3 the form of purses, and as incentive awards, in the same relative  
4 proportion as they were generated or earned during the prior  
5 calendar year at that racing association or fair on races conducted  
6 or imported by that racing association or fair after making all  
7 deductions required by applicable law. Purse funds generated  
8 pursuant to this section may be utilized to pay 50 percent of the  
9 total costs and fees incurred due to the implementation of  
10 advance deposit wagering. "Incentive awards" shall be those  
11 payments provided for in Sections 19617.2, 19617.7, 19617.8,  
12 19617.9, and 19619. The amount determined to be payable for  
13 incentive awards shall be payable to the applicable official  
14 registering agency and thereafter distributed as provided in this  
15 chapter. If the provisions of Section 19601.2 apply, then the  
16 amount distributed to the applicable racing associations or fairs  
17 from advance deposit wagering shall first be divided between  
18 those racing associations or fairs in direct proportion to the total  
19 amount wagered in the applicable zone on the live races  
20 conducted by the respective association or fair. Notwithstanding  
21 this requirement, when the provisions of subdivision (b) of  
22 Section 19607.5 apply to the 2nd District Agricultural  
23 Association in Stockton or the California Exposition and State  
24 Fair in Sacramento, then the total amount distributed to the  
25 applicable racing associations or fairs shall first be divided  
26 equally, with 50 percent distributed to applicable fairs and 50  
27 percent distributed to applicable associations. For purposes of  
28 this subdivision, the zones of the state shall be as defined in  
29 Section 19530.5, except as modified by the provisions of  
30 subdivision (f) of Section 19601, and the combined central and  
31 southern zones shall be considered one zone.

32 Notwithstanding any provision of this section to the contrary,  
33 the distribution of the market access fee, other than the  
34 distributions specified in paragraph (1) or (2), may be altered  
35 upon the approval of the board, in accordance with an agreement  
36 signed by all parties receiving a distribution under paragraphs (4)  
37 and (5).

38 (h) Notwithstanding any provisions of this section to the  
39 contrary, all funds derived from advance deposit wagering that  
40 originate from California for each racing meeting on out-of-state

1 and out-of-country thoroughbred races conducted after 6 p.m.,  
2 Pacific time, shall be distributed in accordance with this  
3 subdivision. With respect to these wagers, 50 percent of the  
4 amount remaining after the payment of contractual obligations to  
5 the multijurisdictional wagering hub, betting system, or licensee  
6 and the amounts set forth in paragraphs (1) through (5),  
7 inclusive, of subdivision (g) shall be distributed as commissions  
8 to thoroughbred associations and racing fairs, as thoroughbred  
9 and fair purses, and as incentive awards in accordance with  
10 subdivision (g), and the remaining 50 percent, together with all  
11 funds derived for each racing meeting from advance deposit  
12 wagering originating from California out-of-state and  
13 out-of-country harness and quarter horse races conducted after 6  
14 p.m., Pacific time, shall be distributed as commissions on a pro  
15 rata basis to the applicable licensed quarter horse association and  
16 the applicable licensed harness association, based upon the  
17 amount handled instate, both on- and off-track, on each breed's  
18 own live races in the previous year by that association, or its  
19 predecessor association. One-half of the amount thereby received  
20 by each association shall be retained by that association as a  
21 commission, and the other half of the money received shall be  
22 distributed as purses to the horsemen participating in its current  
23 or next scheduled licensed racing meeting.

24 (i) Notwithstanding any provisions of this section to the  
25 contrary, all funds derived from advance deposit wagering which  
26 originate from California for each racing meeting on out-of-state  
27 and out-of-country nonthoroughbred races conducted before 6  
28 p.m., Pacific time, shall be distributed in accordance with this  
29 subdivision. With respect to these wagers, 50 percent of the  
30 amount remaining after the payment of contractual obligations to  
31 the multijurisdictional wagering hub, betting system, or licensee  
32 and the amounts set forth in paragraphs (1) through (5),  
33 inclusive, of subdivision (g) shall be distributed as commissions  
34 as provided in subdivision (h) for licensed quarter horse and  
35 harness associations, and the remaining 50 percent shall be  
36 distributed as commissions to the applicable thoroughbred  
37 associations or fairs, as thoroughbred and fair purses, and as  
38 incentive awards in accordance with subdivision (g).

39 (j) A racing association, a fair, or a satellite wagering facility  
40 may accept and facilitate the placement of any wager from a



1 patron at its facility that a California resident could make through  
2 a betting system or multijurisdictional wagering hub duly  
3 offering advance deposit wagering in this state, and the facility  
4 accepting the wager shall receive a 2-percent commission on that  
5 wager in lieu of any distribution for satellite commissions  
6 pursuant to subdivision (g).

7 (k) Any disputes concerning the interpretation or application  
8 of this section shall be resolved by the board.

9 This section shall remain in effect only until January 1, 2008,  
10 and as of that date is repealed, unless a later enacted statute, that  
11 is enacted before January 1, 2008, deletes or extends that date.